

5. SAVES ON COMPLIANCE COSTS



Following the 2008 financial crisis, global AML regulators intensified enforcement, penalising banks for inadequate anti-money laundering (AML) compliance. HSBC received a \$1.9 billion fine in 2012 for laundering \$15 billion from Russia and \$7 billion from Mexico, while Standard Chartered Bank faced a \$340 million penalty for laundering \$250 billion for Iran and Libya. However, fines represent only a fraction of total compliance costs. After settling its fine, HSBC invested \$680 million to address regulatory shortcomings and hired an additional 2,584 compliance professionals.

In 2021 alone, the financial sector globally spent a whopping \$213.9 billion on AML compliance. In the UK, banks alone allocated equivalent to three-quarters of the country's defense budget for compliance measures, amounting to £34.2 billion in the fiscal year 2021/22.

Despite these monumental fines and significant regulatory investments, global annual money laundering has persisted at a staggering \$2.9 trillion since 1999. This enduring issue is exacerbated by the unintended consequences of the current AML regime, which have nudged banks towards a costly risk-averse stance rather than an effective Risk-Based Approach (RBA). Consequently, their focus has shifted towards merely avoiding financial penalties rather than gaining a comprehensive understanding of how money laundering operates within their institutions.



The emphasis on avoiding fines leads to the inefficient allocation of resources, with institutions prioritizing compliance with regulations over strategic money laundering risk management. This approach further stifles innovation within the financial sector, inhibiting investment in new technologies and business models. As a result, the gap widens between crafty, unrestricted criminals and those tasked with disrupting their evolving money laundering tactics.

Vortex Risk reduce reactive compliance spending by empowering individuals and regulated institutions with understanding of how criminals can launder dirty money through their organisations. This practical knowledge is necessary to combat money laundering effectively while fostering a safe and more inclusive global economy.

Vortex Risks unique Risk Analysis Merging Platform (RAMP) methodology is designed to alert on true money laundering actors who make risk-based decision on how to best distance themselves from their dirty money. RAMP highlights steps, actions, tools, services, and parties that criminals might utilise depending on their money laundering needs. It also explains the criminal reasoning behind their choices, the risks to those involved, and the warning signs beyond what 'red flags' are ever likely to capture.

RAMP users can evidence the robust RBA that puts banks in a leading position to refocus regulatory attention on criminal enterprises and away from banks whose doors are closed to dirty money. This enables banks to better serve their legitimate clients by ensuring a more secure and collaborative financial environment.